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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

WILLIAM A. MUNDELL
CHAIRMANJIM IRVIN
COMMISSIONERMARC SPITZER
COMMISSIONER

SEP 24 2002

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
ROOSEVELT LAKE RESORT, INC. FOR A
WATER RATE INCREASE.

DOCKET NO. W-01958A-02-0283

DECISION NO. 65218ORDEROpen Meeting
September 17 and 18, 2002
Phoenix, Arizona**BY THE COMMISSION:**

On April 15, 2002, Roosevelt Lake Resort, Inc. ("Roosevelt" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase in its water rates and charges.

On May 15, 2002, the Commission's Utilities Division ("Staff") filed notice that Roosevelt's application had met the sufficiency requirements of A.A.C. R14-2-103. Based on its application, Staff classified Roosevelt as a Class E utility.

On or about April 12, 2002, Applicant provided notice to its customers. In response thereto, the Commission received four telephone calls, ten letters and a 53 signature petition voicing opposition to the size of Applicant's proposed rate increase.

On May 8, 2002, Mr. Dennis Faust, a customer of Applicant, requested intervention. Applicant did not oppose the request.

On June 3, 2002, by Procedural Order, intervention was granted to Mr. Faust.

On June 12, 2002, in response to the significant percentage of Roosevelt's customers opposing the proposed increase, Staff held a public comment session at a meeting hall in Roosevelt's certificated service area.

On June 18, 2002, the Residential Utility Consumer Office ("RUCO") filed an Application to Intervene. Roosevelt opposed RUCO's intervention.

On June 21, 2002, Staff filed a Motion for Extension of the time deadline set forth in A.A.C. R14-2-103(11)(b) for filing its Staff Report in order to address additional issues raised during the public comment session.

On July 3, 2002, by separate Procedural Orders, intervention was granted to RUCO and Staff was granted until July 29, 2002 to file the Staff Report.

On July 29, 2002, Staff filed its Staff Report, recommending that the rates proposed by Staff be approved.

On August 5, 2002, RUCO filed its Response to the Staff Report ("Response") with respect to the proposed rate increase by Roosevelt. RUCO concurred with Staff's recommendations therein.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Pursuant to authority granted by the Commission in Decision No. 35571 (December 21, 1964), Roosevelt is an Arizona corporation engaged in the business of providing water to Roosevelt Lake Resort aka Sportsmen's Haven, a fishing resort, in an area approximately thirty miles northwest of Globe, Gila County, Arizona¹.

2. Applicant's present rates and charges for water were approved in Decision No. 58616 (April 28, 1994).

3. On April 15, 2002, Roosevelt filed an application requesting authority to increase its rates and charges for water service.

4. On May 15, 2002, Staff filed notice that Roosevelt's application had met the Commission's sufficiency requirements under A.A.C. R14-2-103.

5. On or about April 12, 2002, Applicant provided notice to its customers of its proposed rates and charges by first class U.S. mail and, in response thereto, several phone calls, 10 letters and a

¹ Applicant provides service by means of two public water systems. One system is not subject to the Commission's jurisdiction and provides water to Roosevelt Lake Resort, which is composed of a restaurant, gift shop, lodge and guest housing. The second system provides service to the Sportsmen's Haven subdivision which is subject to the Commission's jurisdiction.

petition signed by 53 customers, or 35 percent of Applicant's customers, opposing any increase in water rates was filed with the Commission.

6. On June 12, 2002, in response to the petition filed by Applicant's customers, Staff held a public comment session in Roosevelt's certificated service area. A number of customers appeared and voiced their opposition to the proposed increase and particularly against the poor condition of the distribution system which has frequent leaks, causing service interruptions for the whole system when repairs are being made.

7. On May 8 and June 18, 2002, Mr. Dennis Faust and RUCO requested intervention, respectively, which requests were subsequently approved by Procedural Orders on June 3 and July 3, 2002, respectively.

8. During the test year ended December 31, 2001 ("TY"), Applicant served 152 metered customers, all of which were served by 5/8" x 3/4" meters.

9. Average and median usage on the 5/8" x 3/4" meters during the TY were 3,093 and 1,031 gallons per month, respectively.

10. Staff conducted an investigation of Applicant's proposed rates and charges for water service and filed its Staff Report on Roosevelt's rate application request on July 29, 2002, and recommended that the Commission issue a Decision approving Staff's proposed rates.

11. The water rates and charges for Applicant at present, as proposed in the Application and as recommended by Staff are as follows:

	Present <u>Rates</u>	Proposed Rates <u>Applicant</u>	<u>Staff</u>
<u>MONTHLY USAGE CHARGE:</u>			
5/8" x 3/4" Meter	\$ 11.00	\$ 22.50	\$ 15.25
3/4" Meter	16.50	25.00	20.00
1" Meter	27.50	30.00	30.00
1 1/2" Meter	55.00	60.00	60.00
2" Meter	88.00	93.00	93.00
3" Meter	165.00	170.00	170.00
4" Meter	275.00	300.00	300.00
6" Meter	550.00	600.00	600.00

1	Gallage Charge in Excess of Minimum	\$1.55	\$4.20	\$3.88
2	Gallons in Minimum	1,000	0	0

3 SERVICE LINE AND METER INSTALLATION CHARGES:
 4 (Refundable pursuant to A.A.C. R14-2-405)

5	5/8" x 3/4" Meter	\$ 285.00	\$ 450.00	\$ 450.00
	3/4" Meter	320.00	500.00	500.00
6	1" Meter	360.00	600.00	600.00
	1 1/2" Meter	545.00	800.00	800.00
7	2" Meter	915.00	1,400.00	1,400.00
	3" Meter	1,150.00	2,000.00	2,000.00
8	4" Meter	1,885.00	3,100.00	3,100.00
9	6" Meter	3,780.00	5,700.00	5,700.00

10 SERVICE CHARGES:

11	Establishment	\$15.00	\$25.00	\$20.00
	Establishment (After Hours)	25.00	35.00	35.00
12	Reconnection (Delinquent)	10.00	50.00	35.00
13	Meter Test (If Correct)	10.00	25.00	15.00
	Deposit	*	*	*
14	Deposit Interest	*	*	*
	Reestablishment (Within 12 Months)	**	**	**
15	NSF Check	15.00	25.00	20.00
	Deferred Payment (per Month)	0.92%	1.50%	1.50%
16	Meter Reread (If Correct)	5.00	10.00	10.00
17	Late Payment Charge (per Month)	1.50%	10.00	1.50%
	Meter Move (Customer Request)	Cost	Cost	Cost
18	Road Cuts and Repaving	Cost	Cost	Cost

19 Monthly Service Charge of Fire Sprinklers:

20	4" or Smaller	\$0.00	\$0.00	***
	6"	0.00	0.00	***
21	8"	0.00	0.00	***
	10"	0.00	0.00	***
22	Larger than 10"	0.00	0.00	***

23
 24 * Per Commission rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

25 *** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less
 26 than \$5.00 per month. The Service Charge for the Fire Sprinklers is only applicable
 27 for service lines separate and distinct from the primary water service line.

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1 12. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined
2 to be \$15,533 which is the same as its original cost rate base. Roosevelt's FVRB reflects an \$8,525
3 increase by Staff and includes a \$3,000 increase to Applicant's plant in service reflecting the addition
4 of a pressure tank in 1998.

5 13. Staff reduced Roosevelt's operating expenses by \$20,346 primarily due to significant
6 adjustments to salaries and wages by \$11,517, outside services by \$5,060 and depreciation by \$5,255
7 to recognize Staff's recommended depreciation rates².

8 14. Applicant's present water rates and charges produced operating revenues of \$27,299
9 and adjusted operating expenses of \$43,677 which resulted in a net operating loss of \$16,378 during
10 the TY for a negative rate of return on FVRB.

11 15. The water rates and charges Applicant proposed would produce operating revenues of
12 \$64,945 and adjusted operating expenses of \$43,836 resulting in net operating income of \$21,109 or
13 a 135.9 percent rate of return on FVRB.

14 16. The water rates and charges Staff recommended would produce adjusted operating
15 revenues of \$49,866 and adjusted operating expenses of \$43,836, resulting in net operating income of
16 \$6,030 or a 38.82 percent rate of return on FVRB.

17 17. Applicant's proposed rate schedule would increase the average monthly customer
18 water bill by 149.2 percent, from \$14.24 to \$35.49, and the median monthly customer water bill by
19 142.9 percent, from \$11.05 to \$26.83

20 18. Staff's recommended rates would increase the average monthly customer water bill by
21 91.3 percent, from \$14.24 to \$27.25, and increase the median monthly customer water bill by 74.2
22 percent, from \$11.05 to \$19.25.

23 19. According to the Staff Report, Applicant is in substantial compliance with its
24 Commission compliance action filings and prior Commission Orders³. Roosevelt is also in

25 ² It is apparent from the nature and size of adjustments made by Staff that Roosevelt is not keeping its books and records
26 according to the NARUC Uniform System of Accounts.

27 ³ In Decision No. 58616, Applicant was Ordered to file a rate case by April 28, 1997. Roosevelt did not do so until 1999,
28 but this application was deemed insufficient by Staff as was a subsequent application in 2001. Additionally, although
Roosevelt was authorized to "back bill" customers previously under-billed, and to establish a separate bank account for
these funds and to collect them through 1997 to make repairs, the funds were not collected, but repairs were made and
equipment put in service as noted in the Staff Report.

1 compliance with the requirements of the Arizona Department of Environmental Quality and current
2 on the payment of property and sales taxes.

3 20. During Staff's review of the water rate request, Staff found that Roosevelt's
4 distribution system suffers from significant problems because many of the mains, which were
5 installed in the 1960's, are under-sized, buried at a shallow depth and bedded improperly rendering
6 them vulnerable to breakage due, in part, to substandard materials used during construction.

7 21. Staff estimates that to repair and replace Applicant's 10,000 foot distribution system at
8 \$20 per foot would cost at least \$200,000 and could increase an average customer bill \$6.91 per
9 month for approximately 15 to 20 years. In order to discern the desires of Roosevelt's customers in
10 this regard, Staff believes it should conduct a poll. Staff will provide the results to Roosevelt to
11 enable Applicant to choose a course of action in order to upgrade its system. The results of the
12 customer poll will also enable Staff to be in a position to make further recommendations.

13 22. As a result of the public comment session, Staff became aware that Applicant
14 misapplied its Commission approved tariff resulting in over-billing which was discovered in a
15 subsequent Commission audit. Staff found that Applicant over-billed by \$0.25 per 1,000 gallons
16 from March 2001 through September 2001 and \$.050 per 1,000 gallons from October 2001 through
17 February 2002, resulting in a total over-billing of Applicant's customers of \$1,655. Staff attached to
18 the Staff Report an exhibit, Schedule 6, which states the customers' names and the amounts to be
19 refunded to them.

20 23. Staff additionally recommended:

- 21
- 22 • that Roosevelt notify its customers of the water rates and charges approved
23 hereinafter and their effective date by means of an insert in its next monthly billing
24 and file with the Compliance Section of the Utilities Division ("Compliance
25 Section"), within 60 days of the effective date of this Decision, a copy of the
26 notice sent to its customers;
 - 27 • that Roosevelt credit the customers' bills the over-collected amounts consistent
28 with Schedule 6 of the Staff Report, commencing with the next billing cycle
following the effective date of this Decision;
 - that Roosevelt complete the refund program within 120 days of the effective date
of this Decision;

- 1 • that Roosevelt submit to the Compliance Section, within 30 days from the
2 completion of the refunds, an affidavit stating the amount refunded by customer
3 name;
- 4 • that Roosevelt read and record, monthly, the volume of water pumped at its well
5 meter as close to the time of the reading of the customers' meters as possible. The
6 monthly difference between water pumped and water sold shall be recorded as the
7 percent of non-account water;
- 8 • that Roosevelt begin monitoring non-account water not later than 60 days after the
9 effective date of this Decision;
- 10 • that Roosevelt report to the Compliance Section one month of non-account water
11 not later than 90 days after the effective date of this Decision. Subsequent
12 reporting of non-account water to the Compliance Section will not be required;
- 13 • that Roosevelt, in its next rate application, include the monthly non-account water
14 from the most recent 12 months. In the absence of this data, Staff may at its
15 discretion, determine the rate applicant to be insufficient on those sole grounds;
- 16 • that Roosevelt isolate water system segments when they are within loops and when
17 the segment must be taken out of service for repairs;
- 18 • in addition to the collection of its regular rates and charges, collect from its
19 customers their proportionate share of any privilege, sales or use tax as provided
20 for in A.A.C. R14-2-409(D);
- 21 • adopt the depreciation rate table as set forth in Exhibit 3 to the Engineering Report
22 attached to the Staff Report;
- 23 • that Roosevelt file, within 90 days of the effective date of this Decision, a water
24 curtailment tariff consistent with that attached to the Staff Report; and
- 25 • that Roosevelt be ordered to maintain its books and records in accordance with the
26 NARUC Uniform System of Accounts.

27 24. Staff further recommends that the Commission authorize Staff to conduct, within 90
28 days of the effective date of this Decision, a poll of Roosevelt's entire customer base regarding their
willingness to bear the expense of water main replacement and the potential impact on customer
rates.

25 25. On August 5, 2002, RUCO filed its comments to the application and Staff Report and
26 indicated that it is in agreement with Staff's approach for rate making purposes herein and the other
27 recommendations made in the Staff Report.

28 26. Under the circumstances, we agree with Staff's recommendations for Roosevelt as set
forth hereinabove. We also believe that Staff's proposal to poll Roosevelt's customers to determine
their position on whether they will choose to support the costs of replacement of the distribution

1 system through increased rates has merit and should be approved.

2 **CONCLUSIONS OF LAW**

3 1. Applicant is a public service corporation within the meaning of Article XV of the
4 Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

5 2. The Commission has jurisdiction over Applicant and the subject matter of the
6 application.

7 3. Notice of the application was provided in the manner prescribed by law.

8 4. Under the circumstances discussed herein, the rates and charges for Roosevelt as
9 authorized hereinafter are just and reasonable and should be approved without a hearing.

10 5. Staff's recommendations, as set forth in Findings of Fact Nos. 23 and 24 are
11 reasonable and should be adopted.

12 6. Roosevelt should adopt Staff's recommended depreciation tables as set forth in Exhibit
13 3 to the Engineering Report attached to the Staff Report.

14 **ORDER**

15 IT IS THEREFORE ORDERED that Roosevelt Lake Resort, Inc. is hereby directed to file on
16 or before September 30, 2002, revised rate schedules setting forth the following rates and charges:

17 **MONTHLY USAGE CHARGE:**

18

19 5/8" x 3/4" Meter	\$ 17.00
20 3/4" Meter	20.00
21 1" Meter	30.00
22 1 1/2" Meter	60.00
23 2" Meter	93.00
3" Meter	170.00
4" Meter	300.00
6" Meter	600.00

24 Gallonage charge per 1,000 gallons 3.88

25 **SERVICE LINE AND METER INSTALLATION CHARGES:**

26 (Refundable pursuant to A.A.C. R14-2-40-5)

27

28 5/8" x 3/4" Meter	\$ 450.00
3/4" Meter	500.00
1" Meter	600.00

1	1 1/2" Meter	\$ 800.00
2	2" Meter	1,400.00
3	3" Meter	2,000.00
4	4" Meter	3,100.00
5	6" Meter	5,700.00

SERVICE CHARGE:

6	Establishment	\$20.00
7	Establishment (After Hours)	35.00
8	Reconnection (Delinquent)	35.00
9	Meter Test (If Correct)	15.00
10	Deposit	*
11	Deposit Interest	*
12	Reestablishment (Within 12 Months)	**
13	NSF Check	20.00
14	Deferred Payment (per month)	1.50%
15	Meter Reread (If Correct)	10.00
16	Late Payment Penalty (per month)	1.5%
17	Meter Move (Customer Request)	Cost
18	Road Cuts and Repaving	Cost

Monthly Service Charge for Fire Sprinklers:

19	4" or Smaller	***
20	6"	***
21	8"	***
22	10"	***
23	Larger than 10"	***

* Per Commission rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that the above water rates and charges shall be effective for all services provided on and after October 1, 2002.

IT IS FURTHER ORDERED that Roosevelt Lake Resort, Inc. shall notify its customers of the rates and charges authorized hereinabove and the effective date of same by means of an insert in its next regular monthly billing, and file, within 60 days of the effective date of this Decision, a copy of the notice with the Compliance Section of the Commission's Utilities Division.

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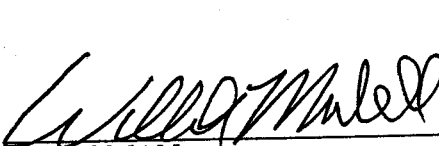


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1 IT IS FURTHER ORDERED that Roosevelt Lake Resort, Inc. is hereby directed to comply
2 with Staff's recommendations as set forth in Findings of Fact No. 23.

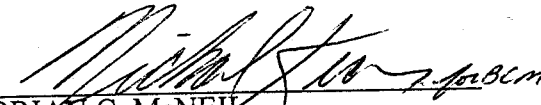
3 IT IS FURTHER ORDERED that the Commission's Utilities Division is hereby authorized to
4 conduct a poll as set forth in Findings of Fact No. 24.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

7
8   
9 CHAIRMAN COMMISSIONER COMMISSIONER
10

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
12 Secretary of the Arizona Corporation Commission, have
13 hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of Phoenix,
15 this 24TH day of SEPT., 2002.

16 
17 BRIAN C. McNEIL
18 EXECUTIVE SECRETARY

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1 SERVICE LIST FOR:

ROOSEVELT LAKE RESORT, INC.

2 DOCKET NO.

W-01958A-02-0283

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